



Alpha Capture Protocol: Intermediary-free investment management

Build solutions to tokenize, distribute and use investment strategies without intermediaries.

Introduction

TradFi investment management is a regulated industry that is maximally extractive but minimally inclusive - its services are off limits to the average investor. All current DeFi alternatives are skeuomorphic and will inevitably require regulation, which will lead to their being maximally extractive and minimally inclusive as well. They will fail on DeFi's great promise to deliver financial inclusion.

What is needed is a web3 native solution that changes the workflow and business models sufficiently to not require regulation, enabling a permissionless ecosystem that is minimally extractive but maximally inclusive, in terms of who can provide and who can access services. This is how more equal distribution of wealth will be achieved.

Abstract

Investment management services (**any of investment/asset/fund/portfolio management*) exist to build wealth, but in traditional finance (TradFi), the average investor cannot access these services, as they do not meet the minimum investment threshold.

The people who can use these services do so for two primary reasons: expertise - investment strategies with a 'trusted' proven track record, and ease - automated strategy execution and custody, neither of which can be accessed in TradFi outside of regulated services. Users are either dependent on investment management for those services, or outright excluded from them.

One of the fundamental goals of decentralized finance (DeFi) is to increase financial inclusion, yet existing DeFi asset management (**any of investment/fund/portfolio management*) services that offer discretionary management (**we are not concerned here with DeFi solutions for users to manage their own assets*), are almost exclusively designed on traditional web2, centralized models. They are skeuomorphic, not web3 native. They do not make use of all the unique capabilities of web3 to create a new framework for investing that can deliver the valuable expertise and ease provided by traditional investment management, but without the requirement to be regulated and therefore without intermediaries.

Regulation of DeFi discretionary investment management solutions is an inevitability, not an uncertainty. This will lead to a model that very closely resembles the exact traditional model we already have and that DeFi is trying to change - a model with censorship, that is maximally extractive in terms of fees and minimally inclusive, both in terms of who can provide services and who can access them. It misses the incredible opportunity web3 offers to build a better, fairer investing system for the future that is permissionless, minimally extractive and maximally inclusive; a world where everyone can invest better, without intermediaries.

We propose a web3 native protocol to build intermediary-free investment management for both traditional and digital assets. Tokenization of investment strategies makes the peer-to-peer exchange of investment strategies possible between strategy providers and users, and gives users the possibility to automatically execute strategies in a decentralized way themselves; to be their own investment managers.

A permissionless network is part of the solution, but the network can only function for the benefit of all parties, if trustless proof of performance forms the basis for peer-to-peer exchange of investment strategies. It is also imperative there be clear segregation between the roles and actions of investment strategy providers and users, that strategy providers have no knowledge of users' investing profiles, including what amount they invest and what returns they make, and that users act exclusively on their own behalf.

Alpha Capture Protocol

Alpha Capture Protocol allows investment strategy providers to build applications to tokenize investment ideas or trades as non-fungible tokens (NFTs), chained together as strategies, to prove ownership and performance of their strategies, and to control who can access them and at what price. Strategy providers are able to distribute strategies through their own applications or preferred channels, with no knowledge of users' financial or investing profiles. Investment strategy users receive a share of the idea or trade NFT, and can use or build solutions to initiate their chosen action, e.g. do nothing, receive a notification, or customize automatic decentralized trade execution to any centralized or decentralized exchange (CEX or DEX).